

**CORRECTED FISCAL NOTE**  
**SB 62 - HB 10**

March 19, 2007

**SUMMARY OF BILL:** Reduces the state sales tax rate on food and food ingredients by one-half percent (0.5%) each year until such tax is eliminated.

**ESTIMATED FISCAL IMPACT:**

On January 25, 2007, we issued a fiscal note for this bill indicating the following estimated fiscal impact:

Decrease State Revenues -	\$38,855,000 – FY07-08
	\$79,657,000 – FY08-09
	\$122,473,000 – FY09-10
	\$167,379,000 – FY10-11
	\$214,455,000 – FY11-12
	\$263,779,000 – FY12-13
	\$315,436,000 – FY13-14
	\$369,511,000 – FY14-15
	\$426,092,000 – FY15-16
	\$485,272,000 – FY16-17
	\$547,144,000 – FY17-18
	\$611,806,000 – FY18-19 and thereafter
Decrease Local Govt. Revenues -	\$1,870,000 – FY07-08
	\$3,834,000 – FY08-09
	\$5,895,000 – FY09-10
	\$8,057,000 – FY10-11
	\$10,323,000 – FY11-12
	\$12,697,000 – FY12-13
	\$15,184,000 – FY13-14
	\$17,787,000 – FY14-15
	\$20,510,000 – FY15-16
	\$23,359,000 – FY16-17
	\$26,337,000 – FY17-18
	\$29,450,000 – FY18-19 and thereafter

Increase State Expenditures - \$100,000 One-Time

Other Fiscal Impact – Per T.C.A. 67-6-103, each decrease to state revenues estimated above would be apportioned (if collected) as follows: 29.0246% to the General Fund, 65.0970% to the Education Fund, 0.3674% to the Department of Revenue, and 0.9185% to the Sinking Fund. The remaining 4.5925% reflects

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local government's portion of state-shared sales tax revenue. These portions are reflected above in the decrease to local government revenues.

Based on new information, the fiscal impact of this bill is estimated as follows:

**(CORRECTED)**

**Decrease State Revenues -**

	<b>\$38,855,000 – FY07-08</b>
	<b>\$78,681,000 – FY08-09</b>
	<b>\$119,503,000 – FY09-10</b>
	<b>\$161,346,000 – FY10-11</b>
	<b>\$204,235,000 – FY11-12</b>
	<b>\$248,196,000 – FY12-13</b>
	<b>\$293,255,000 – FY13-14</b>
	<b>\$339,442,000 – FY14-15</b>
	<b>\$386,783,000 – FY15-16</b>
	<b>\$435,307,000 – FY16-17</b>
	<b>\$485,045,000 – FY17-18</b>
	<b>\$536,026,000 – FY18-19 and thereafter</b>

**Decrease Local Govt. Revenues -**

	<b>\$1,870,000 – FY07-08</b>
	<b>\$3,787,000 – FY08-09</b>
	<b>\$5,751,000 – FY09-10</b>
	<b>\$7,765,000 – FY10-11</b>
	<b>\$9,829,000 – FY11-12</b>
	<b>\$11,945,000 – FY12-13</b>
	<b>\$14,114,000 – FY13-14</b>
	<b>\$16,337,000 – FY14-15</b>
	<b>\$18,615,000 – FY15-16</b>
	<b>\$20,950,000 – FY16-17</b>
	<b>\$23,344,000 – FY17-18</b>
	<b>\$25,798,000 – FY18-19 and thereafter</b>

**Increase State Expenditures - \$100,000 One-Time**

**Other Fiscal Impact – Per T.C.A. 67-6-103, each decrease to state revenues estimated above would be apportioned (if collected) as follows: 29.0246% to the General Fund, 65.0970% to the Education Fund, 0.3674% to the Department of Revenue, and 0.9185% to the Sinking Fund. The remaining 4.5925% reflects local government's portion of state-shared sales tax revenue. These portions are reflected above in the decrease to local government revenues.**

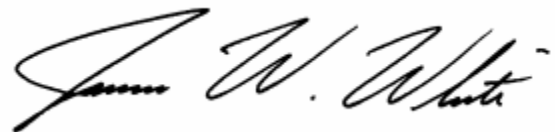
Assumptions:

- Food and food ingredients does not include alcoholic beverages, tobacco, candy, or dietary supplements.
- Sales tax rate on the sales of prepared food remains unchanged.

- The current state sales tax rate on food and food ingredients is 6.0%.
- The first of twelve 0.5% rate reductions would occur July 1, 2007.
- Local option sales tax revenue is unaffected by the provisions of this act.
- It is the legislative intent that the implementation of the Streamlined Sales Tax Agreement (SSTA) within this state shall not amend or otherwise affect tax rates established or authorized pursuant to the provisions of this act.
- According to the Department of Revenue, taxable sales of food and food ingredients in Tennessee for FY05-06 were approximately \$7.753 billion.
- Taxable sales of food and food ingredients are estimated to grow by approximately 2.5% per year in subsequent fiscal years.
- Taxable sales for food are estimated to be approximately \$8.145 billion in FY07-08 (taking the growth assumption into consideration).
- The first of twelve 0.5% rate reductions would decrease state sales tax revenue in FY07-08 by \$40,725,000 ( $\$8.145 \text{ billion} \times 0.5\% = \$40,725,000$ ).
- Local governments are apportioned a 4.5925% share of state sales tax revenue.
- The first of twelve 0.5% rate reductions would decrease local government revenues in FY07-08 by approximately \$1,870,000 ( $\$40,725,000 \times 4.5925\% = \$1,870,295$ ).
- The first of twelve 0.5% rate reductions would decrease state revenues in FY07-08 by approximately \$38,855,000 ( $\$40,725,000 - \$1,870,000 \text{ local share} = \$38,855,000$ ).
- The estimated fiscal impacts for FY08-09 and for subsequent fiscal years are adjusted to reflect 2.5% growth of taxable sales.
- The increase of one-time state expenditures for computer programming and software enhancements is estimated to be \$100,000.

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director